

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 18, 2007
POSITION: Oppose

BILL NUMBER: SB 660
AUTHOR: D. Perata

BILL SUMMARY: Clean Technology and Climate Change Research: Council

This bill would establish the Strategic Research Investment Council (Council) with specified members. The bill would require the Council to prepare and adopt a strategic plan with priorities and expenditure categories that would apply to research, development, and demonstration (RDD) funds to be expended by specified state agencies. The bill would require the Council to prepare the plan by March 1, 2008, and annually thereafter through 2011 and submit it to the Legislature. The bill would also require the RDD funds allocated for clean technology, environmental protection, and public interest energy research and administered by the Department of Transportation (DOT) to be expended in accordance with the plan adopted by the council. The bill's provisions would sunset January 1, 2012.

FISCAL SUMMARY

Multiple state agencies and departments would be impacted by this bill. These entities include the Air Resources Board (Air Board), the State Energy Resources Conservation and Development Commission (CEC), the Public Utilities Commission (PUC), the Secretaries of both the Resources Agency and the California Environmental Protection Agency (Cal-EPA), the California Transportation Commission (CTC), and the DOT. These entities have not yet provided Finance with cost estimates. However, Finance estimates that report preparation and the public hearing process would require at least one person from each affected state entity. Given the number of impacted entities, Finance estimates this cost at a minimum of \$100,000 each, for a total of at least \$700,000 General Fund (GF) annually through 2011.

COMMENTS

The apparent intent of this bill is to ensure that RDD funds across state departments and agencies are expended in a coordinated and integrated fashion. While we support this intent, we are opposed to this bill for the following reasons:

- This bill is unnecessary. Currently, the Air Board, the CEC, the PUC and other state entities work together to ensure that research efforts related to clean technologies, greenhouse gas (GHG) emission reduction efforts, and efforts needed to meet state GHG goals are not duplicative and are fully coordinated. This collaboration is accomplished through Climate Action Team (CAT) efforts.
- This bill would require the creation of a new layer of administration and an additional approval process for research expenditures. An additional level of administration and approval requirements would likely slow efforts already underway to expend research dollars to meet the ambitious GHG reduction goals established by Chapter 488, Statutes of 2006 (AB 32).
- This bill contains significant costs to multiple state entities without an appropriation to cover such costs. Because no funding mechanism is provided, these costs would be General Fund.

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Analyst/Principal (0623) T. Tatosian	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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D. Perata

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ANALYSIS**A. Programmatic Analysis**

Existing law provides approximately \$62.5 million per year of utility ratepayer funds to the CEC to administer the Public Interest Energy Research (PIER) Program through the year 2012. Existing law also provides other state and federal clean technology and environmental protection RDD funds to the Air Board, the DOT and the PUC. The Air Board is required under Chapter 488, Statutes of 2006 (AB 32) to adopt a statewide GHG emissions limit equivalent to 1990 levels by 2020 and adopt regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions.

Currently, the Secretary of the CalEPA leads a Climate Action Team (CAT) made up of representatives from state agencies charged with implementing global warming emission reduction programs and reporting on the progress made toward meeting statewide greenhouse gas targets. The CAT consists of the Secretaries of the California Environmental Protection Agency, the Business, Transportation and Housing Agency, the Department of Food and Agriculture, the Resources Agency, the Chairpersons of the Air Board and the Energy Commission, and the President of the Public Utilities Commission.

This bill would establish the Strategic Research Investment Council (Council) consisting of:

- The Secretaries of the CalEPA and the Resources Agency
- The Chairpersons of the Air Board and the CEC
- The President of the PUC
- The Chairperson of the CTC
- A Member of the Senate, appointed by the Senate Committee on Rules
- A Member of the Assembly, appointed by the Speaker of the Assembly

This bill would require on or before March 1, 2008, and annually thereafter, the Council to prepare and adopt a strategic research, development, and demonstration plan that establishes priorities, and identifies key expenditure categories, for funds to be expended by state agencies represented on the council for the following fiscal year. The plan would be required to identify the amounts and types of expenditures under the following categories:

- Funds to be expended to assist in bringing California clean technologies into the marketplace and to provide quantifiable reductions in GHG emissions to meet climate change goals
- Funds to be expended to encourage behavior changes or changes in consumer preferences that assist the state in meeting its climate change goals
- Funds to be expended by state agencies to identify the causes and effects of climate change and to mitigate those effects

The Council would be required to hold public meetings and workshops prior to adoption of the strategic plan to solicit comments from the public on research priorities. The expenditure of funds by a state agency represented on the Council would be required to be consistent with the strategic plan adopted by the Council. The bill's provisions would sunset January 1, 2012, unless a later enacted statute deletes or extends that date.

B. Fiscal Analysis

Multiple state agencies and departments would be impacted by this bill. These entities include the Air Board, the CEC, the PUC, the Secretaries of both the Resources Agency and Cal-EPA, the CTC and the DOT.

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ANALYSIS (Continued)

B. Fiscal Analysis (Continued)

These entities have not yet provided Finance with cost estimates related to the bill's requirements. However, Finance estimates that at least one person from each affected state entity would be needed at a cost of at least \$100,000, for a total of at least \$700,000 General Fund (GF) annually through 2011.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Fund Code
0540/Secty Res	SO	No	C	\$50	C	\$100	C	\$100	0001
0555/Environ Prot	SO	No	C	\$50	C	\$100	C	\$100	0001
2600/Trans Comm	SO	No	C	\$50	C	\$100	C	\$100	0001
2660/Caltrans	SO	No	C	\$50	C	\$100	C	\$100	0001
3360/Energy Comm	SO	No	C	\$50	C	\$100	C	\$100	0001
3900/Air Res Bd	SO	No	C	\$50	C	\$100	C	\$100	0001
8660/PUC	SO	No	C	\$50	C	\$100	C	\$100	0001